

1 CHAIRPERSON JAMES: Mr. Curran.

2 MR. CURRAN: Good morning.

3 CHAIRPERSON JAMES: Good morning.

4 MR. CURRAN: I appreciate the opportunity to speak
5 before you today regarding the nuts and bolts of the regulation
6 of the Nevada sports and race wagering industry. In my allotted
7 time I will briefly overview to you our sports betting industry
8 and generally discuss Nevada's regulatory efforts with regard to
9 these operations.

10 Race and sports betting provides a recreational
11 opportunity for many of Nevada's residents and visitors,
12 generates employment for our citizens and tax revenue for our
13 government and provides an outlet for legitimate wagerings for
14 sports fans in a venue that is strictly regulated and that
15 minimizes the undesirable side effects that are associated with
16 illegal betting activities.

17 Although our race and sports books generate only a
18 small percentage of Nevada's gaming revenue, they constitute an
19 important part of the total recreational experience enjoyed by
20 our gaming industry. Race and sports betting in Nevada does
21 have several aspects that are unique in the gaming industry.
22 It's the only form of betting activity permitted in which the
23 winning wager is not determined by the laws of probability or
24 random selection. This form of gaming, while unique in this
25 regard, is subjected to state regulation in almost every aspect.

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1 A few examples of the unique nature of such wagering
2 and our supervision of it include the fact that it is the only
3 form of betting in which we require a record of every wager and
4 every pay-out. It's the only form of betting in which wagers
5 from certain adults must be refused by the casino in the case of
6 messenger bets. It's the only form of betting that allows one
7 casino to wager with another. We call that lay-off betting.
8 It's the only form of betting in which wagering by telephone is
9 permitted so long as the wager comes from within Nevada.

10 It's also unique in that our law allows the
11 stationing of one of our agents at the book at the casino's
12 expense and allows the agent to, among other things, listen in
13 to any telephone call. Nevada law allows wagering on sports
14 events and other events as well as horse or other races. While
15 a wide array of wagers may be accepted by the sports book, there
16 are certain types of wagers that the books may not accept such
17 as any amateur sports event held in Nevada, any sports event
18 held outside of Nevada if the event involves a public or private
19 institution; for example, they cannot accept wagers on UNLV
20 basketball games regardless of where they're played, any
21 election for public office, I would note the subject often comes
22 up while there's discussion about the Vegas line on the Academy
23 Awards, we don't allow wagering on that either, any professional
24 sports event held in Nevada if the team's governing body
25 requests that our Commission that wagers on such event be
26 prohibited, that has happened, and any event other than a horse

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1 race or athletic sports event unless the Gaming Control Board
2 chairman specifically approves it.

3 By virtue of the fact that Nevada is one of the few
4 states in the U.S. that may legally accept sports bets, the
5 industry has grown significantly through the years. The State
6 of Nevada currently has 137 books licensed to conduct sports
7 wagering. For fiscal year ended June 30th of this year, these
8 books handled approximately \$2.4 billion in wagers and generated
9 a win of \$87 million, resulting in state tax collection of
10 approximately \$5 million.

11 Although Nevada's casinos are strictly regulated,
12 casino sports book operations arguably are more tightly
13 controlled than any other gaming segment. Sports books are
14 required by regulation to track business -- transact business
15 via a computerize bookmaking system that has been reviewed and
16 approved by the Gaming Control Board. These systems must
17 satisfy extensive internal control standards and must document
18 the details of every wager accepted, every pay-out made on a
19 winning ticket, the final outcome of each sporting event, voided
20 tickets, changes in odds, all transactions where supervisory
21 approval was required and other requirements too numerous to
22 discuss today.

23 The book must submit to the board an in-depth
24 written system of internal control that describes their
25 operating procedures and must comply with this system at all
26 times. In short, sports books must document every transaction

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1 that flows through their operations in accordance with detailed
2 accounting standard and are required to maintain this audit
3 trail for at least five years.

4 The audit trail is necessary since board agents will
5 periodically audit each sports book to insure that all gaming
6 revenue has been properly computed and taxes duly remitted and
7 that the book is in full compliance with all applicable laws,
8 regulations and internal control standards. In addition to tax
9 law compliance board agents will verify compliance with the
10 following requirements which are critical to the control of
11 sports books.

12 First, employee work cards; each book employee must
13 have a gaming work card. Employees deemed unsuitable are
14 precluded from working in Nevada casinos. Book supervisory
15 employee registration and licensing; the Commission recently
16 adopted regulations requiring book supervisory employees to
17 register with the board and to provide extensive personal
18 history information. Cash and non-cash transaction reporting
19 requirements; all cash transactions exceeding \$10,000.00 whether
20 flowing into or out of the book, must be reported on a federal
21 currency transaction report pursuant to Nevada Regulation 6(a).
22 The books must comply with numerous other Regulation 6(a)
23 requirements designed to prevent money laundering.

24 The books will soon be required to comply with new
25 reporting requirements whereby non-cash wagers exceeding
26 \$10,000.00 must also be reported to the board. This would

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1 include chips, tokens and the like. Messenger bettors; it's
2 illegal in Nevada for a person to place a bet on behalf of
3 another person for compensation. This type of activity is
4 called messenger betting and typically involves a representative
5 of an illegal bookmaking operation based on another state
6 placing bets and cashing winning tickets pursuant to the illegal
7 bookmaker's instructions. It is also an unsuitable method of
8 operation for a sports book to knowingly accept wagers from a
9 messenger better.

10 Intra-state wagering communications; Nevada has
11 allowed the placing of sports wagers via telephone for a number
12 of years as long as the call originates from within Nevada.
13 Regulations were recently revised to allow for other
14 communications technology to be used for the placing of wagers.
15 For example, a customer from within Nevada will be allowed to
16 place a wager using a personal computer as long as there is a
17 direct communication with the casino's bookmaking system.

18 However, the regulations clearly prohibit the use of
19 the Internet to make such a bet. A book that requests approval
20 to accept wagers from patrons other than the person, must have
21 the communications technology approved by the board annually and
22 such approvals will be granted only if the book can demonstrate
23 that out of state wagering communications cannot be accepted.

24 Account wagering; a person wishing to open a book --
25 a betting account with a sports book must appear in person at
26 the book, show identification and fill out the necessary

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1 paperwork before betting can begin. An account number and coded
2 password are assigned. Books are required to keep extensive
3 information on the patron's betting activity and all wagering
4 communications conducted over the phone or via PC must be
5 recorded and retained for 60 days.

6 Gambling and books by minors; in Nevada, any person
7 who has attained the age of 21 may gamble in the casino. In
8 order for a patron to place a bet in the sports book, the patron
9 must generally appear at the writers window to make a wager.
10 It's an unsuitable method of operation for a casino to cater to
11 a minor, so the books are diligent in insuring that they
12 transact business with someone who is at least 21 years old.

13 Casino bank roll and cash reserve requirements; a
14 critical concern with regulators is that a book must at all
15 times have sufficient funds available to pay winning tickets,
16 refund account deposits and refund wagers on sporting events
17 that will occur at some point in the future. Our commission has
18 adopted funding requirements for the books to satisfy these
19 patron obligations with which the books must remain in
20 continuous compliance and the board monitors compliance with
21 these requirements monthly.

22 Full and clear disclosure of wagering propositions;
23 it is imperative that the wagers offered to the public be clear
24 and that the winning wagers be paid in accordance with posted
25 payoff schedules. The Gaming Control Board reviews and approves
26 parlay cards and supports book house rules and these rules are

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1 required to be posted in the book. If a disagreement between
2 the book and the patron should arise, the board will investigate
3 the complaint and if necessary resolve the dispute.

4 Betting on fixed sporting events; the Gaming Control
5 Board and Nevada sports books are always on the lookout for
6 unusual betting patterns that could indicate that the sporting
7 event may have had the outcome changed or altered. Board
8 agents, in conjunction with the sports book, will assist other
9 law enforcement agencies with their investigative efforts in
10 detecting and prosecuting such crimes.

11 Finally, problem gaming programs; our Commission has
12 adopted regulations requiring casinos to adopt casino gaming
13 programs for assisting patrons that may have a gambling problem.
14 Casino employees, including book employees, are required to
15 receive training regarding the casino's problem gaming programs
16 and board agents verify that such programs are in existence and
17 functioning as designed.

18 In conclusion sports betting is a popular form of
19 gambling in Nevada. If properly conducted and regulated sports
20 betting can contribute significant tax dollars to a state's
21 economy while providing patrons with another form of the gaming
22 experience. Thank you for the opportunity to speak to you
23 today.

24 CHAIRPERSON JAMES: Thank you, Mr. Curran.

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